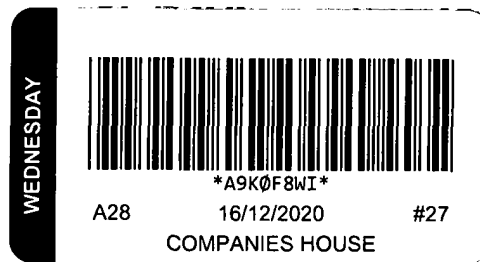


HARWICH INTERNATIONAL PORT LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS

(Registered number 2486146)

31 December 2019



Harwich International Port Limited

Strategic report for the financial year ended 31 December 2019

The directors present their Strategic report for the financial year ended 31 December 2019.

Fair review of the business

The performance of the core operations of the port improved during the financial year.

The directors recognise that the evolving business environment in 2020 is challenging. The risk presented by coronavirus is outlined in the Directors' report.

The company is part of the wider Hutchison Ports (UK) group ("HPUK", "HPUK group") and benefits from the resources this provides.

Key performance indicators

The company uses a wide range of performance measures to monitor progress and ensure targets are met. The following is a summary of the key performance indicators for 2019, with historical comparisons:

Core financial measures include revenue (increase in 2019 over 2018), gross profit (increase in 2019 over 2018) and cash flow (comparable 2019 to 2018). Operational measures include roll-on, roll-off throughput (increase in 2019 over 2018) and passenger throughput (increase in 2019 over 2018).

Business environment

UK ports play a vital role in the UK economy. The Department for Transport confirmed that in 2018 UK ports handled over 483 million tonnes of freight. According to a study by the Centre for Economics and Business Research, in 2017 the UK ports sector employed 115,000 people and made a £9.7 billion value-added contribution to UK GDP. Unitised traffic declined by 1% after a 5-year period of growth. On 31 January 2020 the UK officially left the EU, with a transition period in place until 31 December 2020 during which current rules for trade, travel, and business for the UK and EU will continue to apply. Although Brexit continues to create uncertainty in the market, and the wider UK economy, the company is well placed to provide the additional facilities and services that may be required.

The unprecedented impact of the outbreak and rapid spreading of coronavirus across continents will undoubtedly present risks and challenges to the economy, and this has been addressed in the Directors' report.

The Government's Maritime 2050 strategy of January 2019 sets out the government's vision and ambitions for the future of the British maritime sector and shares the company's ambition to recognise the UK's strengths and capitalise on them. The company will continue to work with the UK government to ensure it leads in delivering the vision through the promotion of coastal clusters and the creation of a strong business environment for ports to thrive, boosting trade and driving the national economy.

Principal risks and uncertainties

The principal risks and uncertainties of the company have been addressed in the Directors' report.

Harwich International Port Limited

Strategic report for the financial year ended 31 December 2019

Section 172(1) statement

Section 172 of the Companies Act 2006 requires a director of a company to act in the way he or she considers, in good faith, would most likely promote the success of the company for the benefit of its members as a whole. In doing this section 172 requires a director to have regard, amongst other matters, to:

Section 172(1)(a) - the likely consequences of any decision in the long term

In reaching their principal decisions the directors consider the long term impact, for example the need to consider future changes in shipping when redeveloping berths, introducing remote control yard equipment and switching to electric power from diesel;

Section 172(1)(b) - the interests of the company's employees

The directors aim for all operations to be conducted safely, the health and safety of employees being paramount, the interests of employees are also considered when making long term decisions for example the impact of the introduction of remote control yard equipment;

Section 172(1)(c) - the need to foster the company's business relationships with suppliers, customers and others

The company's management are in constant contact with its customers and decisions around berth redevelopment and remote control yard equipment to meet customer demand. The company then engages widely with suppliers both when tendering for services and during the life cycle of contracts. Additionally, the company also engages with other port users and its local community;

Section 172(1)(d) - the impact of the company's operations on the community and the environment

The company engages with its local and the wider community, the HPUK Environment Committee leads the company's review of its environmental policy, for example discussing and agreeing an air quality strategy to reduce the impact of port operations on its employees and the local community;

Section 172(1)(e) - the desirability of the company maintaining a reputation for high standards of business conduct

The company delegates responsibilities to a number of committees, including the HPUK Environment Committee, Executive Health and Safety Committee and Anti-Bribery and Anti-Corruption Steering Committee, to ensure a high standard of operational conduct; and

Section 172(1)(f) - the need to act fairly as between members of the company

Whilst most companies within the group are wholly-owned subsidiaries the directors are conscious of the need to consider the interests of minority and joint venture partners.


In discharging their section 172 duties the directors have regard to the factors set out above. The directors also have regard to other factors which are considered relevant to the decision being made. Those factors, for example, will include the interests and views of relevant government departments and agencies. The directors acknowledge that every decision will not necessarily result in a positive outcome for all stakeholders. By considering the company's purpose, vision and values together with its strategic priorities and having a process in place for decision-making, the directors do, however, aim to make sure that decisions are consistent and predictable.

As is normal for a company within a large multinational group, authority is delegated for the day-to-day management of the company to executives, who in turn engage management in setting, approving and overseeing execution of the business strategy and related policies.

Harwich International Port Limited

Strategic report for the financial year ended 31 December 2019

Approved by the Board on 7 December 2020 and signed by its order:



Mr Simon Richard Mullett
Company secretary

Registered number
2486146

Registered Office
Tomline House
The Dock
Felixstowe
Suffolk
IP11 3SY

Harwich International Port Limited

Directors' report for the financial year ended 31 December 2019

The directors submit to the sole shareholder their report and audited financial statements for the financial year ended 31 December 2019.

Principal activities

The principal activity of the company is the operation of Harwich International Port at Parkeston, Harwich. This includes the provision of port services for passenger ferries, vehicle ferries, cruise vessels and general port operations.

Company information

Details regarding the company can be found in note 1 to the financial statements. Details regarding parent and ultimate parent entities can be found in note 24 to the financial statements.

Results and Dividends

The Income statement is set out on page 9 and shows the profit for the financial year ended 31 December 2019. The directors did not propose an interim dividend for the financial year ended 31 December 2019 (2018: £nil). The directors do not propose a final dividend for the financial year ended 31 December 2019 (2018: £nil).

Charitable donations

No charitable donations were made during the financial year (2018: £nil).

Directors of the company

The following served as directors during the financial year and up to the date of signing of the financial statements:

Ms Edith Shih

Mr Sing Chi Ip

Mr Clemence Chun Fun Cheng

Mr Andrew Steven Lawrence (appointed on 27 December 2019)

Mr Simon Richard Mullett (appointed on 27 December 2019)

Mr Christian Nicolas Roger Salbaing (appointed on 27 December 2019)

Principal risks and uncertainties

Business risks are considered regularly. Any changes in the business, economy or regulatory environment are monitored and reviewed by management. The key financial risks are set out in note 3 to the financial statements.

Risks identified by the management of the HPUK group include the reliance on a small number of customers for a substantial proportion of business, the impact of technology, cyber-security risks and the impact on the environment of operations. The HPUK group seeks to mitigate these risks by maintaining a broad customer base as a common-user operator, upgrading and developing equipment and systems, and seeking and implementing suitable technology and behaviours.

Coronavirus (COVID-19)

The directors acknowledge the unprecedented impact of the outbreak and rapid spreading of COVID-19 across continents. This pandemic has created unprecedented risks and challenges to the economy. The trading environment will be tough as a result of this pandemic in addition to the UK leaving the European Union. With these challenges in the current market conditions, the company's operations in the year ahead will undoubtedly be impacted. The company will focus on its key strengths of resilience and financial prudence to minimise the risks and safeguard its assets, and business. Contingency plans have been introduced to ensure business resilience and continuity and plans implemented to minimise the risks to and impacts on employees, customers and port users.

Harwich International Port Limited

Directors' report for the financial year ended 31 December 2019

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report (consisting of the Strategic report, Directors' report, financial statements and notes to the financial statements) in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' confirmations

In the case of each director in office at the date the Directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Approved by the Board on 7 December 2020 and signed by its order:



.....
Mr Simon Richard Mullett
Company secretary

Registered number
2486146

Registered Office
Tomline House
The Dock
Felixstowe
Suffolk
IP11 3SY

Independent auditors' report to the members of Harwich International Port Limited

Report on the audit of the financial statements

Opinion

In our opinion, Harwich International Port Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Directors' Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2019; the income statement, the statement of comprehensive income, the statement of cash flows, the statement of changes in equity for the financial year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Independent auditors' report to the members of Harwich International Port Limited (continued)

Reporting on other information (continued)

Strategic Report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Independent auditors' report to the members of Harwich International Port Limited (continued)

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



David Beer (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

8 December 2020

Harwich International Port Limited

Income statement for the financial year ended 31 December 2019

	Note	2019 £ 000	2018 £ 000
Revenue		21,741	20,782
Cost of sales		<u>(10,042)</u>	<u>(9,558)</u>
Gross profit		11,699	11,224
Administrative expenses		(4,978)	(5,252)
Other operating income		<u>1,851</u>	<u>1,234</u>
Operating profit	6	8,572	7,206
Finance costs	7	<u>(338)</u>	<u>(194)</u>
Profit before tax		8,234	7,012
Income tax expense	9	<u>(1,558)</u>	<u>(1,569)</u>
Profit for the financial year		<u><u>6,676</u></u>	<u><u>5,443</u></u>

The Income statement has been prepared on the basis that all operations are continuing.

The notes on pages 14 to 42 form an integral part of these financial statements.

Harwich International Port Limited

Statement of comprehensive income for the financial year ended 31 December 2019

	Note	2019 £ 000	2018 £ 000
Profit for the financial year		<u>6,676</u>	<u>5,443</u>
Other comprehensive expense			
Items that will not be reclassified to profit or loss			
Actuarial losses on defined benefit pension scheme before tax	20	(128)	(1,080)
Movement on current tax relating to pension scheme		24	124
Movement on deferred tax relating to pension scheme	16	-	81
Movement on deferred tax relating to change in UK tax rate	16	<u>(3)</u>	<u>(21)</u>
Total other comprehensive expense		<u>(107)</u>	<u>(896)</u>
Total comprehensive income for the financial year		<u><u>6,569</u></u>	<u><u>4,547</u></u>

The notes on pages 14 to 42 form an integral part of these financial statements.

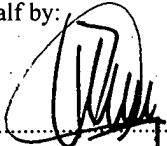
Harwich International Port Limited

Statement of financial position as at 31 December 2019

	Note	2019 £ 000	2018 £ 000
Assets			
Non-current assets			
Property, plant and equipment	10	49,613	50,892
Investments	13	-	-
Right of use assets	11	2,282	-
Retirement benefit asset	20	4,030	3,474
		<u>55,925</u>	<u>54,366</u>
Current assets			
Inventories	12	231	181
Trade and other receivables	14	5,756	3,308
Cash and cash equivalents		1	16
		<u>5,988</u>	<u>3,505</u>
Total assets		<u>61,913</u>	<u>57,871</u>
Equity and liabilities			
Equity			
Share capital	17	16,812	16,812
Retained earnings	18	22,891	16,450
Total equity		<u>39,703</u>	<u>33,262</u>
Non-current liabilities			
Loans and borrowings	21	9,471	9,471
Deferred tax	16	4,459	4,734
Long term lease liabilities	23	2,278	-
		<u>16,208</u>	<u>14,205</u>
Current liabilities			
Trade and other payables	15	4,045	8,842
Current tax payable		1,784	1,562
Current portion of long term lease liabilities	23	173	-
		<u>6,002</u>	<u>10,404</u>
Total liabilities		<u>22,210</u>	<u>24,609</u>
Total equity and liabilities		<u>61,913</u>	<u>57,871</u>

The notes on pages 14 to 42 form an integral part of these financial statements.

The financial statements on pages 9 to 42 were approved by the Board on 7 December 2020 and signed on its behalf by:



 Mr Clemence Chun Fun Cheng
 Director

Harwich International Port Limited

Statement of changes in equity for the financial year ended 31 December 2019

	Share capital £ 000	Retained earnings £ 000	Total equity £ 000
At 1 January 2019	16,812	16,450	33,262
Effect on adoption of IFRS 16	-	(128)	(128)
At 1 January 2019, as adjusted	<u>16,812</u>	<u>16,322</u>	<u>33,134</u>
Profit for the financial year	-	6,676	6,676
Actuarial loss on defined benefit pension scheme before tax	-	(128)	(128)
Movement on current tax relating to pension scheme	-	24	24
Movement on deferred tax relating to change in UK tax rate	-	(3)	(3)
At 31 December 2019	<u>16,812</u>	<u>22,891</u>	<u>39,703</u>

	Share capital £ 000	Retained earnings £ 000	Total equity £ 000
At 1 January 2018	16,812	11,903	28,715
Profit for the financial year	-	5,443	5,443
Actuarial loss on defined benefit pension scheme before tax	-	(1,080)	(1,080)
Movement on current tax relating to pension scheme	-	124	124
Movement on deferred tax relating to pension scheme	-	81	81
Movement on deferred tax relating to change in UK tax rate	-	(21)	(21)
At 31 December 2018	<u>16,812</u>	<u>16,450</u>	<u>33,262</u>

The directors did not propose an interim dividend for the financial year ended 31 December 2019 (2018: £nil).
The directors do not propose a final dividend for the financial year ended 31 December 2019 (2018: £nil).

The notes on pages 14 to 42 form an integral part of these financial statements.

Harwich International Port Limited

Statement of cash flows for the financial year ended 31 December 2019

	Note	2019 £ 000	2018 £ 000
Cash flows from operating activities			
Cash generated from continuing operations	19	3,451	3,125
Income taxes paid		(1,563)	(1,390)
Interest paid	7	<u>(338)</u>	<u>(194)</u>
Net cash flow generated from operating activities		<u>1,550</u>	<u>1,541</u>
Cash flows from investing activities			
Acquisitions of property, plant and equipment		(1,531)	(1,546)
Proceeds from sale of property, plant and equipment		<u>16</u>	<u>20</u>
Net cash flows used in investing activities		<u>(1,515)</u>	<u>(1,526)</u>
Cash flows from financing activities			
Lease payments		<u>(50)</u>	-
Net cash flow used in financing activities		<u>(50)</u>	-
Net movement in cash and cash equivalents		(15)	15
Cash and cash equivalents at 1 January		<u>16</u>	<u>1</u>
Cash and cash equivalents at 31 December		<u><u>1</u></u>	<u><u>16</u></u>

The notes on pages 14 to 42 form an integral part of these financial statements.

Harwich International Port Limited

Notes to the financial statements for the financial year ended 31 December 2019

1 General information

The principal activity of the company is the operation of Harwich International Port at Parkeston, Harwich. This includes the provision of port services for passenger ferries, vehicle ferries, cruise vessels and general port operations.

The company is a private company limited by shares, incorporated in England and Wales and domiciled in the United Kingdom.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The financial statements have been prepared in accordance with European Union endorsed IFRSs and IFRS Interpretations Committee (IFRS IC) interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The statements have been prepared on a going concern basis and on a historical cost basis, except for the following:

- Certain financial assets

New and amended standards adopted by the company

The following have been applied for the first time from 1 January 2019 and have had an effect on the financial statements:

IFRS 16 'Leases'

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The company will apply the standard from its mandatory adoption date of 1 January 2019. IFRS 16 completes the IASB's project to improve the financial reporting of leases and replaces the previous leases Standard, IAS 17 'Leases', and related Interpretations. It will result in almost all leases being recognised on the Statement of financial position by lessees, since the distinction between operating and finance leases is removed. Under the new standard, an asset (that is, the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

Changes resulting from adoption of IFRS 16

IFRS 16 Leases became mandatorily effective on 1 January 2019. The company has applied this for the first time in this accounting period which resulted in changes to the accounting policies.

Harwich International Port Limited

Notes to the financial statements for the financial year ended 31 December 2019

The company transitioned to IFRS 16 using the modified retrospective approach and as a result the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. The prior period figures were not adjusted.

On adoption of IFRS 16, the company elected to apply the relief provisions available and has not reviewed contracts under the definition of a lease per IFRS 16, which had previously not been classified as leases under the principles of IAS 17. Therefore, only contracts entered into or modified on or after 1 January 2019 have the definition of a lease per IFRS 16 applied.

In addition, the company decided to apply recognition exemptions to leases with a term not exceeding 12 months and leases where the underlying assets are of low value.

For leases classified as operating leases under IAS 17, these lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The company has used the following practical expedients permitted by IFRS 16 when applying this for the first time to leases previously classified as operating leases:

- Applied a single discount rate to a portfolio of leases with similar characteristics
- Applied the exemption not to recognise liabilities for leases with less than 12 months of lease term remaining
- Excluded initial direct costs for the measurement of right-to-use assets at the date of initial application
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease

Right-of-use assets are measured at either:

- Their carrying amount as if IFRS 16 has been applied since commencement, discounted using the lessee's incremental borrowing rate at the date of initial application
- An amount equal to the lease liability, adjusted for any prepaid or accrued lease payments

No adjustments are required on transition to IFRS 16 for leases where the company acts as a lessor, except for a sub-lease. A reassessment of the classification of a sub-lease is required under IFRS 16.

The company recognised lease liabilities in relation to leases that were classified as 'operating leases' under the principles of IAS 17 - Leases. On transition, an additional £2,068,000 of right-to-use assets, £2,223,000 of lease liabilities and deferred tax assets of £27,000 were recognised with the difference of £128,000 allocated to retained earnings.

	As originally reported 2018 £ 000
Operating lease commitments at 31 December 2018	<u>10,507</u>
Operating lease commitments discounted at the incremental borrowing rate	2,178
Recognition exemption for short-term leases	(15)
Adjustments resulting from the different treatment of extension and termination options	<u>60</u>
Lease liabilities recognised at 1 January 2019	<u><u>2,223</u></u>

These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average rate applied was 3.48%.

Harwich International Port Limited

Notes to the financial statements for the financial year ended 31 December 2019

New standards, interpretations and amendments not yet adopted

None of the other standards, interpretations and amendments effective for the first time for financial periods starting after 1 January 2019 will have a material effect on the financial statements, being:

Amendments to IFRS 3 - Business Combinations

Amendments to IAS 1 - Presentation of Financial Statements

Amendments to IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors

Amendments to IAS 39 - Financial Instruments: Recognition and Measurement

Amendments to IFRS 7 - Financial Instruments: Disclosures

Amendments to IFRS 9 - Financial Instruments

Property, plant and equipment

Property, plant and equipment are stated at historic cost less accumulated depreciation and impairment losses. Historic cost includes expenditure that is directly attributable to the acquisition of the items.

The assets' useful lives and residual values are reviewed and adjusted if appropriate, at each Statement of financial position date.

The gain or loss on disposal of an asset is the difference between the net sale proceeds and the carrying amount of the relevant asset, and is recognised in the Income statement.

Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Depreciation

Land is not depreciated. Depreciation on other assets is calculated to write off the cost of fixed assets less accumulated depreciation on a straight line basis over their estimated useful lives.

Asset class	Depreciation rate
Civil works and buildings	2.00%-5.00%
Plant and equipment	4.00%-20.00%

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost and any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the Statement of financial position date.

Harwich International Port Limited

Notes to the financial statements for the financial year ended 31 December 2019

Trade receivables

Trade and other receivables are recognised at fair value, and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established under the impairment loss methodology when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the assets carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial re-organisation and default in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Income statement within administrative expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against administrative expenses in the Income statement.

Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Cash and cash equivalents

For the purpose of the Statement of cash flows, cash and cash equivalents includes cash in hand and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Statement of financial position.

Pension costs

The company operates both defined benefit and defined contribution plans, the assets of which are held in trustee administered funds.

Pension accounting costs for defined benefit plans are assessed using the projected unit credit method. Under this method, the costs of providing pensions are charged to the Income statement in accordance with the advice of qualified actuaries, who, for accounting purposes, also carry out a valuation of major plans every year. The pension obligations are measured as the present value of the estimated future cash outflows by reference to market yields on high quality corporate bonds, which have terms to maturity approximating the terms of the related liability. Plan assets are measured at fair value. Actuarial gains and losses are recognised in full in the financial year in which they occur, outside the Income statement, in the Statement of comprehensive income.

The defined benefit pension scheme was closed to new entrants on 30 June 2003. Subsequent costs relating to the defined contribution group personal pension plan which replaced the defined benefit pension scheme are expensed as incurred. The company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due and prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Group financial statements

As the company is a wholly owned subsidiary of HPUK, it has taken advantage of the exemption provided by Section 400 of the Companies Act 2006 which relieves it from preparing consolidated financial statements. The consolidated financial statements of HPUK are publicly available as per note 24.

Harwich International Port Limited

Notes to the financial statements for the financial year ended 31 December 2019

Financial instruments

Initial recognition

Financial assets and financial liabilities comprise all assets and liabilities reflected in the statement of financial position, although excluding property, plant and equipment, investment properties, intangible assets, deferred tax assets, prepayments, deferred tax liabilities, inventories, accruals and employee benefits plan. All assets and liabilities affected can be found in the table at the end of this note.

The company recognises financial assets and financial liabilities in the statement of financial position when, and only when, the company becomes party to the contractual provisions of the financial instrument.

Financial assets are initially recognised at fair value. Financial liabilities are initially recognised at fair value, representing the proceeds received net of premiums, discounts and transaction costs that are directly attributable to the financial liability.

Subsequent to initial measurement, financial assets and financial liabilities are measured at either amortised cost or fair value.

Classification and measurement

Financial instruments are classified at inception into one of the following categories, which then determine the subsequent measurement methodology:

Financial assets are classified into one of the following three categories:

- financial assets at amortised cost;
- financial assets at fair value through other comprehensive income (“FVTOCI”); or
- financial assets at fair value through the profit or loss (“FVTPL”).

Financial liabilities are classified into one of the following two categories:

- financial liabilities at amortised cost; or
- financial liabilities at FVTPL.

The classification and the basis for measurement are subject to the company’s business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, as detailed below:

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

If either of the above two criteria is not met, the financial assets are classified and measured at FVTPL.

If a financial asset meets the amortised cost criteria, the company may choose to designate the financial asset at FVTPL. Such an election is irrevocable and applicable only if the FVTPL classification significantly reduces a measurement or recognition inconsistency.

Harwich International Port Limited

Notes to the financial statements for the financial year ended 31 December 2019

Financial assets at FVTOCI

A financial asset is measured at FVTOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investments that is not held for trading, the company may irrevocably elect to present subsequent changes in fair value in other comprehensive income (“OCI”). This election is made on an investment-by-investment basis.

If an equity investment is designated as FVTOCI, all gains and losses, except for dividend income, are recognised in OCI and are not subsequently included in the Income Statement.

Financial assets at FVTPL

Financial assets not otherwise classified above are classified and measured as FVTPL.

Financial liabilities at amortised cost

All financial liabilities, other than those classified as financial liabilities at FVTPL, are measured at amortised cost using the effective interest rate method.

Financial liabilities at FVTPL

Financial liabilities not measured at amortised cost are classified and measured at FVTPL. This classification includes derivative liabilities.

Impairment of financial assets

Measurement of Expected Credit Losses (“ECL”)

The impairment model is based on expected credit losses and it applies equally to debt instruments measured at amortised cost or FVTOCI, lease receivables, contract assets within the scope of IFRS 15 and certain written loan commitments and financial guarantee contracts.

Expected credit losses (with the exception of purchased or original credit-impaired financial assets) are required to be measured through a loss allowance at an amount equal to: (i) the 12-month expected credit losses or (ii) full lifetime expected credit losses. The latter applies if credit risk has increased significantly since initial recognition of the financial instrument.

Derivative financial instruments

All derivatives in the scope of IFRS 9, including those linked to unquoted equity investments, are measured at fair value. Value changes are recognised in profit or loss unless the entity has elected to apply hedge accounting by designating the derivative as a hedging instrument in an eligible hedging relationship.

The contractual cash flows of the financial asset are assessed in their entirety, and the asset as a whole is measured at FVTPL if the contractual cash flow characteristics test is not passed. Embedded derivatives not closely related to financial liabilities will be accounted for separately at fair value in the case of financial liabilities not designated at FVTPL.

Accounting estimates and assumptions

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of certain financial assets, liabilities, income and expenses.

The use of estimates and assumptions is principally limited to the determination of provisions for impairment and the valuation of financial instruments as explained in more detail below:

Harwich International Port Limited

Notes to the financial statements for the financial year ended 31 December 2019

Provisions for impairment

In determining impairment of financial assets, judgement is required in the estimation of the amount and timing of future cash flows as well as an assessment of whether the credit risk on the financial asset has increased significantly since initial recognition and incorporation of forward-looking information in the measurement of ECL.

Fair value of financial assets and liabilities

Where the fair value of financial assets and liabilities cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is derived from observable markets where available, but where this is not feasible, a degree of judgement is required in determining assumptions used in the models. Changes in assumptions used in the models could affect the reported fair value of financial assets and liabilities.

Amounts owed by group undertakings are measured at amortised cost due to their short term nature and the fact that they are repayable on demand, this would therefore approximate fair value.

Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of inventories is calculated on an average cost basis.

Foreign currency transactions and balances

The financial statements are presented in GBP, which is the company's functional and presentation currency.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the Statement of financial position date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken either to the Income statement or the Statement of comprehensive income depending on the nature of the asset or liability being revalued.

Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the Statement of financial position date.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the Statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

Dividend distribution

A final dividend distribution to the company's shareholders is recognised as a liability in the company's financial statements in the period in which the dividends are approved by the company's shareholders. Interim dividends are recognised on payment.

Harwich International Port Limited

Notes to the financial statements for the financial year ended 31 December 2019

Borrowing costs

The company capitalises borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. All other borrowing costs incurred during the financial year have been expensed through the Income statement.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Revenue recognition

Recognition

The company earns revenue from the provision of services attributable to the operation of Harwich International Port, and arises wholly within the United Kingdom. Revenue is the total amount receivable by the company in the ordinary course of business for services provided to third parties, net of discounts and rebates, exclusive of Value Added Tax. The company earns revenue from the handling and storage of goods imported to, and exported from, the UK. Other income is earned from the rental of land and buildings to third parties. The company's third party customer base is primarily made up of major international shipping lines.

IFRS 15 requires entities to apportion revenue earned from contracts to individual performance obligations based on a stand-alone selling price. The principles in IFRS 15 are applied to revenue recognition criteria using the following 5 step model:

1. identify the contracts with the customer
2. identify the performance obligations in the contract
3. determine the transaction price
4. allocate the transaction price to the performance obligations in the contract
5. recognise revenue when or as the entity satisfies its performance obligations

Performance obligations

Under IFRS 15, revenue is recognised when or as performance obligations are satisfied by transferring control of a promised good or service to a customer, and control either transfers over time or at a point in time. IFRS 15 introduces specific criteria for determining when revenue is recognised.

For revenue generated from the handling and storage of goods imported to, and exported from, the UK, the company's performance obligations can be considered to be separate and individual in nature. Each element of revenue can be identified separately and is selected individually as per the customer's requirements. Individual services are invoiced to the customer following completion of that particular service and there is no obligation on the group to provide subsequent services once each individual service has been completed. All services are considered to be provided at a point in time. This includes revenue recognised from the storage of goods, which is short term in nature and is charged based on a daily rate. The company considers that a separately identifiable performance obligation is created at the completion of each day's storage.

The similar nature of revenues generated by the company results in no requirement to disaggregate revenue, in accordance with IFRS 15.

Other income generated from the rental of land and buildings to third parties is outside the scope of IFRS 15, and therefore continues to be reflected in accordance with the previous IFRS.

Harwich International Port Limited

Notes to the financial statements for the financial year ended 31 December 2019

Transaction price

The consideration which the company expects to receive in exchange for specific services is clearly defined and agreed prior to the service being performed. Such consideration is fixed for most individual services supplied. As a result, there is little ambiguity when allocating prices to such performance obligations within the company's transactions with customers. Variable elements of revenue such as volume linked incentives are subject to agreements which are ordinarily co-terminus with the financial year, which reduces the uncertainty over the revenue attributable to the financial year. Any liabilities that may arise as a result of performance related obligations are netted against revenue in the period such obligations arise.

Contract assets and receivables

Contract assets are required to be classified as a receivable when the entity's right to consideration is unconditional, when payment is due only on the passage of time. Given that the company's performance obligations can be considered to be clearly defined, separate and individual in nature, trade receivables are recognised rather than contract assets. This is due to the unconditional right to consideration which is in place following satisfaction of our performance obligation.

Contract liabilities

Contract liabilities and customer deposits are recognised in the statement of financial position when the company has received consideration but still has an obligation to deliver products and meet performance obligations for that consideration. In the ordinary course of business no such balances arise due to the timing and nature of the services provided and cash collection from customers.

Practical Expedients

The company applies the practical expedient under para 63 of IFRS 15 that no discounting is applied on the basis that the period between when the entity transfers a promised good or service to the customer and when the customer pays for that good or service will be one year or less.

The company also applies the practical expedient under para 94 of IFRS 15 in relation to contract costs which is applied on the basis that contractually agreed rates are ordinarily in place for a period of 12 months or less.

Harwich International Port Limited

Notes to the financial statements for the financial year ended 31 December 2019

3 Financial risk management

Financial risk factors

The company's activities expose it to a variety of financial risks: liquidity risk, market risks (including foreign exchange risk, price risk and cash flow interest rate risk), credit risk and capital risk. The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance.

Risk management is carried out by a central treasury department under policies approved by the group. The group approves written principles for overall risk management, as well as written policies covering specific areas such as foreign exchange risk and interest rate risk. Hedge accounting is applied where appropriate. There are currently no derivative financial instruments in place to hedge risk exposure.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the business, the central treasury department aims to maintain flexibility in funding by keeping committed credit lines available. Accordingly, liquidity risk is monitored at an immediate parent company level.

Foreign exchange risk

The company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar, the Hong Kong dollar and the Euro. Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. There were no significant effects of exposure to foreign exchange movements in the financial year for the company.

Price risk

The company is not exposed to significant price risks.

Cash flow and interest rate risk

As the company has no significant interest bearing assets, the company's income and operating cash flows are substantially independent of changes in market interest rates.

Credit risk

The company has no significant concentrations of risk. It has policies in place to ensure that sales of services are made to customers with an appropriate credit history. The utilisation of credit limits is regularly monitored and used as a guide to control exposure to credit risk. The company has policies that limit the amount of credit exposure to any financial institution.

Capital risk management

Capital risk is managed at a Hutchison Ports (UK) Limited group level. The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. Accordingly, the details of capital risk management are disclosed in the consolidated financial statements.

4 Fair value

Where financial assets or liabilities are measured at fair value they are classified using a fair value hierarchy that reflects the significance of the inputs used in the measurement. The nominal value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to the short-term maturities of these assets and liabilities.

Harwich International Port Limited

Notes to the financial statements for the financial year ended 31 December 2019

5 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Taxation

There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these issues is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Pension assumptions

Contributions to the Harwich International Port Pension Scheme are determined by a qualified actuary on the basis of an actuarial valuation using the projected unit credit method. Valuations are carried out every three years and the most recent was issued as at 31 December 2016. The assumptions, which have the most significant effect on the results of the valuation, are those relating to the discount rate applied to liabilities, the rates of increase in salaries and pension and those relation to current and future mortality rates. The valuation used for IAS 19 disclosures has been based on the most recent actuarial valuation available at the Statement of financial position date, which was the 31 December 2016 valuation, and updated by an independent qualified actuary to take account of the requirements of IAS 19 in order to assess the liabilities of the scheme as at 31 December 2019. The details of the principal actuarial assumptions are given in note 20.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment losses. The assets are depreciated over their estimated useful lives to their estimated residual values. Both the estimated useful life and the residual value are reviewed regularly. The useful lives are determined by management and are based on historical experience with similar assets.

The carrying amount is tested for impairment whenever events or changes in circumstances indicate that the carrying amount will not be recovered.

There are no critical judgements made by the directors in applying the company's accounting policies which have a significant impact on the financial statements other than those involving estimates, as disclosed above.

Harwich International Port Limited

Notes to the financial statements for the financial year ended 31 December 2019

6 Operating profit

Arrived at after charging/(crediting)

	2019	2018
	£ 000	£ 000
Depreciation of owned assets	2,402	2,444
Depreciation of right of use assets	64	-
Hire of equipment	-	143
Operating lease rents payable	-	120
Profit on sale of property, plant and equipment	(16)	(20)
Rental income	<u>(1,851)</u>	<u>(1,234)</u>

Auditors' remuneration

	2019	2018
	£ 000	£ 000
Audit of the financial statements	<u>44</u>	<u>43</u>

7 Finance costs

	2019	2018
	£ 000	£ 000
Finance costs		
Interest payable to other group entities	214	191
Other finance costs	1	3
Interest expense on leases	<u>123</u>	<u>-</u>
Total finance costs	<u>338</u>	<u>194</u>

Harwich International Port Limited

Notes to the financial statements for the financial year ended 31 December 2019

8 Staff costs and directors' remuneration

The aggregate payroll costs (including directors' remuneration) were as follows:

	2019	2018
	£ 000	£ 000
Wages and salaries	6,434	6,175
Social security costs	629	605
Other pension costs, defined contribution scheme	400	373
Other pension costs, defined benefit scheme	409	412
	<u>7,872</u>	<u>7,565</u>

The monthly average number of employees of the company was 182 (2018: 180).

Key management compensation

The emoluments of key management are paid by another group company which makes no recharge to the company. Key management form the executive board of the group and a number of fellow subsidiaries and it is not possible to make an accurate apportionment of their emoluments in respect of each of the subsidiaries. Accordingly, the above details include no emoluments in respect of key management. Their total emoluments are included in the aggregate of key management disclosed in the financial statements of the group.

Directors' remuneration

All directors received their remuneration primarily in respect of services provided to other group companies and as a result their respective remuneration details are reflected in the financial statements of those companies.

9 Income tax expense

Tax expense in the Income statement

	2019	2018
	£ 000	£ 000
Current taxation		
UK corporation tax	1,809	1,686
Deferred taxation		
Arising from origination and reversal of temporary differences	(189)	(296)
Arising from changes in tax rates and laws	(62)	179
Total deferred taxation	<u>(251)</u>	<u>(117)</u>
Tax expense in the Income statement	<u>1,558</u>	<u>1,569</u>

Harwich International Port Limited

Notes to the financial statements for the financial year ended 31 December 2019

The tax assessed on the profit on ordinary activities for the financial year can be reconciled as follows:

	2019	2018
	£ 000	£ 000
Profit before tax	<u>8,234</u>	<u>7,012</u>
Profit on ordinary activities before taxation at 19% (2018: 19%)	1,565	1,332
Effect of expenses not deductible in determining taxable profit	55	58
Deferred tax expense relating to changes in tax rates or laws	<u>(62)</u>	<u>179</u>
Total tax expense	<u>1,558</u>	<u>1,569</u>

The Finance Act 2016 included legislation to reduce the main rate of corporation tax to 17% on 1 April 2020. The Finance Act 2016 was substantively enacted on 6 September 2016 and the effect of this change has been reflected in these financial statements.

In the Spring Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020. As the proposal to keep the rate at 19% had not been substantively enacted at the Statement of financial position date, its effects are not included in these financial statements. However, it is likely that the overall effect of the change, had it been substantively enacted by the Statement of financial position date, would be to increase the tax expense for the financial year by £0.5 million and to increase the deferred tax liability by £0.5 million.

Harwich International Port Limited

Notes to the financial statements for the financial year ended 31 December 2019

10 Property, plant and equipment

	Land and civil works and buildings £ 000	Plant and equipment £ 000	Capital works in progress £ 000	Total £ 000
Cost or valuation				
At 1 January 2018	85,343	11,121	347	96,811
Additions	(3)	128	1,240	1,365
Disposals	(64)	(526)	-	(590)
Transfers	791	53	(844)	-
	<u>86,067</u>	<u>10,776</u>	<u>743</u>	<u>97,586</u>
At 31 December 2018	86,067	10,776	743	97,586
At 1 January 2019	86,067	10,776	743	97,586
Additions	172	38	913	1,123
Disposals	(126)	(769)	-	(895)
Transfers	348	613	(961)	-
	<u>86,461</u>	<u>10,658</u>	<u>695</u>	<u>97,814</u>
At 31 December 2019	86,461	10,658	695	97,814
Accumulated depreciation				
At 1 January 2018	36,910	7,930	-	44,840
Charge for year	1,933	511	-	2,444
Eliminated on disposal	(64)	(526)	-	(590)
	<u>38,779</u>	<u>7,915</u>	<u>-</u>	<u>46,694</u>
At 31 December 2018	38,779	7,915	-	46,694
At 1 January 2019	38,779	7,915	-	46,694
Charge for the year	1,864	538	-	2,402
Eliminated on disposal	(126)	(769)	-	(895)
	<u>40,517</u>	<u>7,684</u>	<u>-</u>	<u>48,201</u>
At 31 December 2019	40,517	7,684	-	48,201
Carrying amount				
At 31 December 2019	<u>45,944</u>	<u>2,974</u>	<u>695</u>	<u>49,613</u>
At 31 December 2018	<u>47,288</u>	<u>2,861</u>	<u>743</u>	<u>50,892</u>

The negative additions in the prior year reflect a change in previously agreed contractual agreements.

Harwich International Port Limited

Notes to the financial statements for the financial year ended 31 December 2019

11 Right of use assets

	Machinery £ 000	Property £ 000	Total £ 000
Cost or valuation			
At 1 January 2019	71	1,997	2,068
Additions	174	105	279
Disposals and revaluations	(1)	-	(1)
At 31 December 2019	<u>244</u>	<u>2,102</u>	<u>2,346</u>
Accumulated depreciation			
At 1 January 2019	-	-	-
Charge for the financial year	41	23	64
At 31 December 2019	<u>41</u>	<u>23</u>	<u>64</u>
Carrying amount			
At 31 December 2019	<u><u>203</u></u>	<u><u>2,079</u></u>	<u><u>2,282</u></u>

12 Inventories

	2019 £ 000	2018 £ 000
Materials and consumables	<u>231</u>	<u>181</u>

Inventories recognised as an expense during the year ended 31 December 2019 amounted to £375,000 (2018: £387,000).

Harwich International Port Limited

Notes to the financial statements for the financial year ended 31 December 2019

13 Investments

	2019	2018
	£	£
Investment in a subsidiary	2	2

Details of the subsidiary as at 31 December 2019 are as follows:

Name of subsidiary	Principal activity	Country of incorporation and principal place of business	Proportion of ownership interest and voting rights held	
			2019	2018
Harwich International Pension Trustee Limited*	Pension trustee	England and Wales	100%	100%

* indicates direct investment of the company

The registered address of the subsidiary is Tomline House, The Dock, Felixstowe, Suffolk, IP11 3SY.

Associate

Details of the associate as at 31 December 2019 are as follows:

Name of associate	Country of incorporation and principal place of business	Proportion of ownership interest and voting rights held	
		2019	2018
Harwich Wharfingers Limited *	England and Wales	33.3%	33.3%

* indicates direct investment of the company

The registered address of the associate is Tomline House, The Dock, Felixstowe, Suffolk, IP11 3SY.

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Notes to the financial statements for the financial year ended 31 December 2019

14 Trade and other receivables

	2019	2018
	£ 000	£ 000
Trade receivables	1,405	2,840
Amounts owed by group undertakings	3,855	8
Other receivables	115	82
Prepayments and accrued income	381	378
Total current trade and other receivables	<u>5,756</u>	<u>3,308</u>

Amounts owed by group undertakings are denominated in GBP, unsecured, interest free and have no fixed date of repayment.

The carrying values of trade and other receivables are assumed to approximate their fair values due to their short-term nature.

As of 31 December 2019, trade receivables of £1,275,000 (2018: £2,739,000) were fully performing.

As of 31 December 2019, no trade receivables were impaired (2018: £nil).

As of 31 December 2019, trade receivables of £130,000 (2018: £101,000) were past due but no expected credit loss provision is created against it. These relate to a number of independent customers for whom there is no recent history of default. The aging analysis of these trade receivables is as follows:

	2019	2018
	£ 000	£ 000
1 to 6 months	130	101
	<u>130</u>	<u>101</u>

The creation and release of provision for impaired receivables have been included in administrative expenses in the Income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The company does not hold any collateral as security.

Harwich International Port Limited

Notes to the financial statements for the financial year ended 31 December 2019

15 Trade and other payables

	2019	2018
	£ 000	£ 000
Trade payables	1,047	635
Amounts owed to group undertakings	1,568	6,348
Social security and other taxes	217	205
Other payables	215	304
Capital expenditure	86	494
Accrued expenses	912	856
	<u>4,045</u>	<u>8,842</u>

Amounts owed to group undertakings are denominated in GBP, unsecured, interest free and repayable on demand.

16 Deferred tax

	2019	2018
	£ 000	£ 000
Deferred tax asset - other timing differences		
At 1 January	(13)	(13)
Re-measurement of deferred tax asset	-	-
At 31 December	<u>(13)</u>	<u>(13)</u>

	2019	2018
	£ 000	£ 000
Deferred tax liability - pension scheme		
At 1 January	493	582
Charged to Income statement	104	-
Re-measurement of deferred tax liability	(2)	(29)
Charged/(credited) directly to equity in respect of:		
Movement on deferred tax relating to pension scheme	-	(81)
Re-measurement of deferred tax liability	3	21
At 31 December	<u>598</u>	<u>493</u>

Harwich International Port Limited

Notes to the financial statements for the financial year ended 31 December 2019

	2019	2018
	£ 000	£ 000
Deferred tax liability - accelerated capital allowances		
At 1 January	4,254	4,342
Credit to Income statement	(294)	(296)
Re-measurement of deferred tax liability	(60)	208
At 31 December	<u>3,900</u>	<u>4,254</u>

	2019	2018
	£ 000	£ 000
Deferred tax asset - IFRS 16		
At 1 January	-	-
Charge to Income statement	1	-
Credit directly to equity in respect of:		
IFRS 16 transition adjustment	(27)	-
At 31 December	<u>(26)</u>	<u>-</u>

Deferred income tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax income relates to the same fiscal authority. The offset amounts are as follows:

	2019	2018
	£ 000	£ 000
Deferred tax asset to be recovered:		
After more than 12 months	(26)	-
Within 12 months	(13)	(13)
	<u>(39)</u>	<u>(13)</u>
Deferred tax liability to be crystallised:		
After more than 12 months	4,438	4,698
Within 12 months	60	49
	<u>4,498</u>	<u>4,747</u>
Net deferred tax liability	<u>4,459</u>	<u>4,734</u>

A deferred tax asset is recognised on timing differences to the extent that the realisation of the related tax benefit through future taxable profits is probable.

Harwich International Port Limited

Notes to the financial statements for the financial year ended 31 December 2019

17 Share capital

	2019	2018
	£ 000	£ 000
Allotted, issued, called up and fully paid share capital		
16,812,002 (2018: 16,812,002) ordinary shares of £1 each	<u>16,812</u>	<u>16,812</u>

The ordinary shares have voting rights with no restrictions and are not limited in respect of participation in any dividend or capital distribution.

18 Retained earnings

	£ 000
At 1 January 2019	16,450
Effect on adoption of IFRS 16	<u>(128)</u>
At 1 January 2019, as adjusted	<u>16,322</u>
Profit for the financial year	6,676
Actuarial loss on defined benefit pension schemes before tax	(128)
Movement on current tax relating to pension scheme	24
Movement on deferred tax relating to change in UK tax rate	<u>(3)</u>
At 31 December 2019	<u>22,891</u>
	£ 000
At 1 January 2018	11,903
Profit for the financial year	5,443
Actuarial loss on defined benefit pension schemes before tax	(1,080)
Movement on current tax relating to pension scheme	124
Movement on deferred tax relating to pension scheme	81
Movement on deferred tax relating to change in UK tax rate	<u>(21)</u>
At 31 December 2018	<u>16,450</u>

Harwich International Port Limited

Notes to the financial statements for the financial year ended 31 December 2019

19 Cash generated from continuing operations

	Note	2019 £ 000	2018 £ 000
Profit for the financial year		6,676	5,443
Adjustments to cash flows from non-cash items			
Income tax expense	9	1,558	1,569
Finance costs	7	338	194
Depreciation	6	2,466	2,444
Profit on disposal of property, plant and equipment	6	<u>(16)</u>	<u>(20)</u>
		11,022	9,630
Working capital adjustments			
Increase in inventories	12	(50)	(3)
Decrease/(increase) in trade and other receivables	14	1,399	(1,444)
Increase/(decrease) in trade and other payables	15	391	(834)
Decrease in retirement benefit obligations net of actuarial changes		(684)	(654)
Increase in amounts owed by group undertakings		(3,847)	(6)
Decrease in amounts owed to group undertakings		<u>(4,780)</u>	<u>(3,564)</u>
Cash generated from continuing operations		<u>3,451</u>	<u>3,125</u>

Harwich International Port Limited

Notes to the financial statements for the financial year ended 31 December 2019

20 Pension and other schemes

Pension benefits are provided to employees through a defined benefit pension scheme, which was closed to new members on 30 June 2003, and through a defined contribution group personal pension plan which replaced it for new entrants from 1 July 2003. Both schemes are funded by the company and its employees.

Defined benefit pension scheme

Harwich International Port Pension Scheme

The Harwich International Port Pension Scheme was established with effect from 1 February 1998 in succession to the Stena Line (UK) Pension Scheme for employees of Harwich International Port Limited. It is a defined benefit scheme.

Contributions to the defined benefit scheme are determined by a qualified actuary on the basis of an actuarial valuation. The most recent valuation was carried out as at 31 December 2016. The following assumptions were used:

Future price inflation - RPI	3.66% per annum
Future price inflation - CPI	2.66% per annum
Allowances for increases in pensionable salaries	3.91% per annum
Future investment return - pre-retirement	4.40% per annum
Future investment return - post-retirement (actives/deferreds)	2.80% per annum
Future investment return - post-retirement (pensioners)	2.80% per annum
Allowances for increases to pensions in payment - Price inflation	2.66% per annum
Allowances for increases to pensions in payment - CPI capped at 3%	2.25% per annum
Allowances for increases to pensions in payment - RPI capped at 2.5%	2.20% per annum

The valuation showed the market value of the defined benefit scheme assets was £38.189 million and an actuarial deficit of £3.979 million existed. In order to eliminate this deficit, company contributions will be paid at the rate of 33.5% of pensionable salary from 1 April 2018. In addition, members pay contributions at a rate of 6% of pensionable salaries.

The Trustee and the company have agreed that the deficit should be targeted to be removed over a period of five years commencing 1 January 2018. This requires five annual payments of £514,000. This Recovery Plan assumes an investment return of 4.25% per annum over the period. This represents an outperformance assumption of 0.7% over the average return expected on the Technical Provisions assumptions.

The valuation used for IAS 19 disclosures has been based on the most recent actuarial valuation undertaken as at the Statement of financial position date, which was the 31 December 2016 valuation, and updated by an independent qualified actuary to take account of the requirements of IAS 19 in order to assess the liabilities of the defined benefit scheme as at 31 December 2019. Defined benefit scheme assets are stated at bid value as at 31 December 2019.

Contributions payable to the pension scheme at the end of the financial year are £42,000 (2018: £42,000).

The expected contributions to the plan for the next financial year are £1,170,000.

Harwich International Port Limited

Notes to the financial statements for the financial year ended 31 December 2019

Reconciliation of scheme assets and liabilities to assets and liabilities recognised

The amounts recognised in the Statement of financial position are as follows:

	2019 £ 000	2018 £ 000
Fair value of scheme assets	43,193	37,908
Present value of scheme liabilities	<u>(39,163)</u>	<u>(34,434)</u>
Defined benefit pension scheme surplus	<u>4,030</u>	<u>3,474</u>

Scheme assets

Changes in the fair value of scheme assets are as follows:

	2019 £ 000	2018 £ 000
Fair value at start of financial year	37,908	40,589
Interest income	1,128	1,022
Return on plan assets, excluding amounts included in interest income	4,819	(3,184)
Employer contributions	1,093	1,066
Contributions by scheme participants	78	80
Benefits paid	(1,705)	(1,576)
Administrative expenses paid	<u>(128)</u>	<u>(89)</u>
Fair value at end of financial year	<u>43,193</u>	<u>37,908</u>

Analysis of assets

The major categories of scheme assets are as follows:

	2019 £ 000	2018 £ 000
Cash and cash equivalents	429	1,264
Equity instruments	26,328	22,548
Debt instruments	<u>16,436</u>	<u>14,096</u>
	<u>43,193</u>	<u>37,908</u>

All cash and cash equivalents, equity instruments and debt instruments are quoted assets.

Actual return on scheme's assets

	2019 £ 000	2018 £ 000
Actual return on scheme assets	<u>5,947</u>	<u>(2,162)</u>

The pension scheme has not invested in any of the company's own financial instruments or in properties or other assets used by the company.

Harwich International Port Limited

Notes to the financial statements for the financial year ended 31 December 2019

Scheme liabilities

Changes in the present value of scheme liabilities are as follows:

	2019	2018
	£ 000	£ 000
Present value at start of financial year	34,434	36,689
Current service cost	395	428
Actuarial losses / (gains) arising from changes in demographic assumptions	623	(399)
Actuarial losses / (gains) arising from changes in financial assumptions	4,230	(2,226)
Actuarial losses arising from experience adjustments	94	521
Interest cost	1,014	917
Benefits paid	(1,705)	(1,576)
Contributions by scheme participants	78	80
Present value at end of financial year	<u>39,163</u>	<u>34,434</u>

Weighted average duration of the defined benefit obligation is 15 years (2018: 14 years).

Principal actuarial assumptions

The principal actuarial assumptions at the Statement of financial position date are as follows:

	2019	2018
	%	%
Discount rate	2.05	3.00
Future salary increases	2.40	2.65
Allowance for increases to pensions in payment – pre 6 April 2006	1.90	2.05
Allowance for increases to pensions in payment – post 6 April 2006	1.60	1.60
Inflation - RPI	2.70	3.15
Inflation - CPI	<u>1.90</u>	<u>1.95</u>

Post retirement mortality assumptions

	2019	2018
	Years	Years
Current UK pensioners at age 62 - male	21.40	21.01
Current UK pensioners at age 62 - female	<u>24.90</u>	<u>24.73</u>

Harwich International Port Limited

Notes to the financial statements for the financial year ended 31 December 2019

Amounts recognised in the Income statement

	2019	2018
	£ 000	£ 000
Amounts recognised in operating profit		
Current service cost	395	428
Administrative expenses paid	128	89
Net interest income	(114)	(105)
	<u>409</u>	<u>412</u>
Total recognised in the Income statement	<u>409</u>	<u>412</u>

Amounts recognised in the Statement of comprehensive income

	2019	2018
	£ 000	£ 000
Actuarial (losses) / gains arising from changes in demographic assumptions	(623)	399
Actuarial (losses) / gains arising from changes in financial assumptions	(4,230)	2,226
Actuarial losses arising from experience adjustments	(94)	(521)
Return on plan assets, excluding amounts included in interest income	4,819	(3,184)
	<u>(128)</u>	<u>(1,080)</u>
Amounts recognised in the Statement of comprehensive income	<u>(128)</u>	<u>(1,080)</u>

Harwich International Port Limited

Notes to the financial statements for the financial year ended 31 December 2019

Sensitivity analysis

A sensitivity analysis for the principal assumptions used to measure scheme liabilities is set out below:

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
Expressed as %			
Discount rate	0.25%	decrease by 3.54%	increase by 3.74%
Inflation - RPI	0.25%	increase by 0.82%	decrease by 0.81%
Salary growth rate	0.25%	increase by 3.37%	decrease by 2.93%
Mortality future long term improvement rate	1 Year	increase by 4.55%	-
Expressed as £ 000			
Discount rate	0.25%	decrease by 1,387	increase by 1,465
Inflation - RPI	0.25%	increase by 321	decrease by 316
Salary growth rate	0.25%	increase by 1,321	decrease by 1,146
Mortality future long term improvement rate	1 Year	increase by 1,780	-

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method has been applied as when calculating the pension liability recognised within the Statement of financial position.

Maturity analysis of benefit payments

	Between 1-5 years £ 000	Between 6-10 years £ 000	Between 11-15 years £ 000	Between 16-20 years £ 000	Over 20 years £ 000	Total £ 000
2019	8,475	9,245	9,522	8,430	27,238	62,910
2018	<u>8,271</u>	<u>9,082</u>	<u>9,669</u>	<u>8,703</u>	<u>28,532</u>	<u>64,257</u>

Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the financial year represents contributions payable by the company to the scheme and amounted to £400,000 (2018: £373,000).

Harwich International Port Limited

Notes to the financial statements for the financial year ended 31 December 2019

21 Loans and borrowings

	2019 £ 000	2018 £ 000
Non-current loans and borrowings		
Loan from group undertaking	<u>9,471</u>	<u>9,471</u>

The loan from group undertaking is denominated in GBP, falls due between two and five years, is unsecured and carries interest of LIBOR + 1.32 %.

22 Obligations under leases and hire purchase contracts

Operating leases

The total future value of minimum lease payments is as follows:

	2019 £ 000	2018 £ 000
Within one year	-	136
In two to five years	-	460
In over five years	<u>-</u>	<u>9,911</u>
	<u>-</u>	<u>10,507</u>

Harwich International Port Limited

Notes to the financial statements for the financial year ended 31 December 2019

23 Leases

Lease liabilities maturity analysis

A maturity analysis of lease liabilities based on undiscounted gross cash flow is reported in the table below:

	2019 £ 000	2018 £ 000
Less than one year	176	-
2 years	170	-
3 years	170	-
4 years	156	-
5 years	134	-
6 years	119	-
7 years	119	-
8 years	119	-
9 years	119	-
10 years	119	-
Between 10 to 15 years	596	-
More than 15 years	9,086	-
Total lease liabilities (undiscounted)	<u>11,083</u>	<u>-</u>

Total cash outflows related to leases

Total cash outflows related to leases are presented in the table below:

	2019 £ 000	2018 £ 000
Payment		
Principal lease payments	50	-
Interest	123	-
Total cash outflow	<u>173</u>	<u>-</u>

24 Parent and ultimate parent undertaking

Harwich International (Holdings) Limited, a company registered in England and Wales, whose principal activity is to act as a holding company, is the immediate parent of the company and owns 100% of the shares and voting rights.

Hutchison Ports (UK) Limited, a company registered in England and Wales, is the smallest group to consolidate the financial statements of the company. Copies of the financial statements may be obtained from the Company Secretary, Tomline House, The Dock, Felixstowe, Suffolk, IP11 3SY.

CK Hutchison Holdings Limited ("CKHH"), a company incorporated in the Cayman Islands and listed in Hong Kong is the ultimate parent of the company and the largest group to consolidate these financial statements.

Copies of the financial statements of CKHH may be obtained from the Company Secretary, 48th Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong.